

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**  
**BOND FINANCING PROGRAM**  
**Meeting Date: April 26, 2011**  
*Request for Amendment to Initial Resolution*

Prepared by: *Jayne Feldmann*

<b>Applicant:</b>	Recycling Industries, Inc. and/or its Affiliates	<b>Amount Requested:</b>	\$6,890,000
<b>Project</b>	North Highlands	<b>Application No.:</b>	00759(SB)
<b>Location:</b>	(Sacramento County) & Yuba City (Sutter County)	<b>Initial Resolution No.:</b>	04-17
		<b>Prior Actions:</b>	Approved 12/14/04; Amended 11/18/09 & 10/27/10

**Summary.** Recycling Industries, Inc. and/or its Affiliates (the “Company”) requests approval of an amendment to Initial Resolution Number 04-17 for an amount not to exceed \$6,890,000 to finance land and building acquisition, building rehabilitation, and equipment purchases.

The Initial Resolution was approved on December 14, 2004 for an amount not to exceed \$4,525,000. The resolution was restated and amended on November 18, 2009, for an amount not to exceed \$5,780,000 and again amended on October 27, 2010, for an amount not to exceed \$6,260,000. The Company is currently requesting an amendment to the Initial Resolution to increase the amount to \$6,890,000 to purchase additional equipment and to add a new project location in Yuba City.

**Borrower.** Recycling Industries, Inc. incorporated in California in August 1981. The Company offers material collection and processing services. Current operations include, but are not limited to, sorting and processing recyclable paper, cardboard, aluminum cans, glass bottles, plastic bottles and commingled recycle streams from municipal curbside recycle programs. The communities serviced include Sacramento County as well as San Joaquin, Sutter, Yuba, El Dorado, Placer, Yolo and Nevada Counties.

Square One Records, Inc. is an affiliate of Recycling Industries, Inc. The principal stockholders of the Company are as follows:

**Recycling Industries, Inc.**

W. Scott Kuhnen	50%
Michael Macardican	<u>50%</u>
<b>Total:</b>	<b><u>100%</u></b>

**Square One Records, Inc.**

W. Scott Kuhnen	50%
Michael Macardican	<u>50%</u>
<b>Total:</b>	<b><u>100%</u></b>

**Legal Questionnaire.** The Staff has reviewed the Company's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of this applicant.

**Project Description.** The Company plans to acquire land in North Highlands, renovate the existing 155,000 square foot building, and purchase equipment which may be utilized at any of its three operating locations. The project will replace and expand the Company's existing operation in Sacramento. The operations at this site will include sorting and processing recyclable paper, cardboard, aluminum cans, glass bottles, plastic bottles and commingled recycle streams from municipal curbside recycle programs. This amendment includes adding a site in Yuba City where a new baler may be located.

**Volume Cap Allocation.** The Company anticipates applying to the Authority for volume cap allocation in the second quarter of 2011.

**Financing Details.** The Company anticipates the issuance of negotiated tax exempt bonds.

**Financing Team.**

**Underwriter:** Westhoff, Cone & Holmstedt

**Bond Counsel:** Orrick, Herrington & Sutcliffe

**Issuer's Counsel:** Office of the Attorney General

**Staff Recommendation.** Staff recommends approval of Initial Resolution No. 04-17 for Recycling Industries, Inc. and/or its Affiliates for an amount not to exceed \$6,890,000.

*Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.*

**AMENDMENT OF  
RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO  
FINANCE SOLID WASTE DISPOSAL FACILITIES FOR  
RECYCLING INDUSTRIES, INC. AND/OR ITS AFFILIATES**

**April 26, 2011**

**WHEREAS**, the California Pollution Control Financing Authority (“Authority”), a public instrumentality, is authorized and empowered by the provisions of the California Pollution Control Financing Authority Act (“Act”) to issue bonds for the purpose of defraying the cost of facilities for the disposal of solid and liquid waste products, including resource recovery and energy conversion facilities; and

**WHEREAS**, at the request of Recycling Industries, Inc., a California corporation, and/or its Affiliates (the “Company”) the Authority adopted its Amended and Restated Initial Resolution No. 04-17 on November 18, 2009 (the “Amended and Restated Initial Resolution”) in the amount of not to exceed \$5,780,000 to assist in financing the acquisition, construction and rehabilitation of solid waste disposal facilities and equipment described as the “Project” in the Amended and Restated Initial Resolution; and

**WHEREAS**, the Company has submitted an amendment to its application to the Authority and has requested the Authority to amend the Amended and Restated Initial Resolution in order to increase its dollar amount to reflect Project cost increases and a new project site;

**NOW, THEREFORE, BE IT RESOLVED** by the California Pollution Control Financing Authority as follows:

**Section 1.** The Authority finds and determines that the foregoing recitals are true and correct. For purposes of this Resolution, an “Affiliate” of the Company means any person or entity which controls, is controlled by, or is under common control with, the Company, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise. An Affiliate shall also be a “participating party” as defined in the Act.

**Section 2.** The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$6,890,000 principal amount of bonds of the Authority for the Project, including for the purpose of reimbursing to the Company costs incurred for the Project prior to the issuance of the bonds. All references in the Amended and Restated Initial Resolution to the dollar amount thereof shall be changed from “5,780,000” to “6,890,000.”

**Agenda Item 4.A.1.**

**Section 3.** Section 7 of the Amended and Restated Initial Resolution is hereby modified to provide that the Amended and Restated Initial Resolution shall cease to be effective on April 26, 2014 unless the Authority specifically adopts a further resolution extending the effective date of the Amended and Restated Initial Resolution.

**Section 4.** Exhibit A to the Amended and Restated Initial Resolution is replaced by the attached Exhibit A.

**Section 5.** Except as set forth in Sections 2, 3 and 4, all of the provisions of the Amended and Restated Initial Resolution shall remain in full force and effect and are hereby ratified and confirmed. This Amendment shall take effect upon its adoption.

**EXHIBIT A**

**NUMBER:** 04-17

**LOCATION:** 3300 Power Inn Road  
Sacramento, CA 95826

4741 Watt Avenue  
North Highlands, CA 95660

140 Epley Drive  
Yuba City, CA 95991

**TYPE:** Solid Waste Disposal Facilities

**AMOUNT:** Up to \$6,890,000